

# UAC INSURANCE MUTUAL

## *Board of Trustees Meeting*

Thursday, October 30, 1997, 9:00 a.m.

Utah Association of Counties Offices

Salt Lake City, Utah

**A G E N D A**

9:00	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of October 9, 1997, Minutes	Gary Herbert
	1998 Contracts: Accounting, Actuarial, Brokerage, Claims Administration	Brett Rich
	1998 Administrative Budget	Brent Gardner
	1998 General Budget	Brett Rich
	Annual Membership Meeting Agenda	Gary Herbert
	Tenant User Liability Insurance Program	Brett Rich
	Structure of Advisory Committee	Brett Rich
	Membership in PRIMA Pooling Section	Brett Rich
	Appointment of Audit Committee Member	Jerry Hess
12:00	Lunch	
	Quarterly Broker Review	Brett Rich
	Risk Management Program Percentage	Shawn Guzman
	Member County Awards	Shawn Guzman
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
	Other Business	Gary Herbert
1:00	Adjourn	





UTAH ASSOCIATION  
OF COUNTIES  
INSURANCE MUTUAL

## UACIM BOARD OF TRUSTEES MEETING

### MINUTES

October 30, 1997, 9:00 a.m., Utah Association of Counties Offices

#### BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner  
Jerry Hess, *Vice President*, Davis County Deputy Attorney  
Monte Munns, *Secretary*, Box Elder County Assessor-Treasurer  
Tony Dearden, *Treasurer*, Millard County Commissioner  
Chad Johnson, Beaver County Commissioner  
Ed Phillips, Millard County Sheriff  
Sarah Ann Skanchy, Cache County Council Member

#### BOARD MEMBERS ABSENT

Ty Lewis, San Juan County Commissioner  
John Swasey, Duchesne County Commissioner

#### OTHERS PRESENT

Kent Sundberg, Chairman, Litigation Management Committee  
Brent Gardner, UAC Executive Director  
Brett Rich, Director, UACIM  
Shawn Guzman, Loss Control Manager  
Sonya White, Executive Assistant

#### CALL TO ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

#### REVIEW OF BOARD MEMBERS ABSENT

Ty Lewis phoned the UACIM staff and requested that the Board excuse him from this meeting due to a prior commitment. Ann Skanchy made a motion to excuse Ty from this meeting. Ed Phillips seconded the motion, which passed unanimously. John Swasey indicated he would attend this meeting, therefore the Board tabled any action and awaited his arrival.

#### APPROVAL OF OCTOBER 9, MINUTES

The minutes of the Board of Trustees meeting held on October 9, 1997 were previously sent to the Board Members for review. Jerry Hess requested that the word *briefly* be stricken from the Summary of August 1997 Financial Statements on page two. Jerry Hess made a motion to approve the minutes as corrected. Monte Munns seconded the motion, which passed unanimously.

#### 1998 CONTRACTS

ACCOUNTING: Brett Rich explained that a public notice was listed in the Salt Lake Tribune stating that the UAC Insurance Mutual is accepting proposals for accounting services and an RFP was sent to six different accounting firms. Brett noted that one of the firms, Larson & Company, located in Salt Lake came highly recommended by ULGT, URMA and the School Boards Association. The RFP provided that the proposals be completed and delivered by November 15, that a selection be made by December 1 and the contract begin January 1, 1998. Chad Johnson made a motion authorizing the Audit Committee to review the accounting proposals and make a recommendation to the Board. Ann Skanchy seconded the motion, which passed unanimously.



ACTUARIAL: Brett Rich explained that Coopers & Lybrand is and always has been the actuarial firm for the Mutual. The agreement with Coopers & Lybrand does not automatically renew. The Mutual has basically renewed that agreement each year with a *Letter of Understanding*. The cost of their services has increased approximately \$400 each year and the additional costs of out-of-pocket expenses are not addressed in the *Letter of Understanding*. In comparing costs for actuarial services, Coopers & Lybrand's fees are reasonable, therefore, Brett recommended that the Board renew their agreement with Coopers & Lybrand by drafting a contract instead of using the *Letter of Understanding*. Chad Johnson made a motion directing Brett to draft a contract for negotiation with Coopers & Lybrand for actuarial services for 1998 at a cost of \$7,900, plus the reasonable out-of-pocket expenses. Monte Munns seconded the motion, which passed unanimously.

BROKERAGE: Brett Rich explained that the brokerage contract with Arthur J. Gallagher automatically renews each year unless cancelled. Brett drafted an addendum for proposal to the brokerage contract to discontinue services by Gallagher Bassett for audit oversight of claims administration. Jerry Hess made a motion to approve the addendum to the brokerage contract and allow the contract to renew. Tony Dearden seconded the motion, which passed unanimously.

CLAIMS ADMINISTRATION: Brett Rich explained that the claims administration contract with McLarens Toplis automatically renews each year unless cancelled. Under contract, the Mutual has 60 days from the date of renewal to cancel or change any of the terms. McLarens has proposed a six-percent increase in the fee for 1998 and would like the contract changed to a two-year agreement that allows for fee negotiations. Brett presented an addendum to the terms of the contract that allows for a three-percent increase in annual fees and an additional amount to equal any rent increase from UAC. The addendum did not change the duration of the agreement. Tony Dearden made a motion to approve the addendum to the claims administration contract and allow the contract to renew. Chad Johnson seconded the motion, which passed unanimously.

#### **1998 ADMINISTRATIVE BUDGET**

Brent Gardner reviewed the adjusted proposed 1998 administrative budget with the Board. Brent explained that some of the line items were changed from what the Board reviewed at the October 9, 1997 Board meeting due to additional information received by UAC. Most of the discussion was based on the increase in office rent for 1998. Brent explained that the increase in rent is due to the new UAC owned building to be complete in the summer of 1998. Because the cost to rent in the Salt Lake Valley continues to increase at an outstanding rate (\$24 per square foot) the UAC Building Committee, after years of research, decided to build a building to house the UAC offices. UACIM will be renting space from UAC at approximately \$13.50 per square foot in the new building with more space to conduct training and meetings and for future growth. The Board questioned whether surplus in the UACIM administrative account could be shifted to the next year. Brent explained there is that ability because any surplus is kept in a separate account.

Following a closed meeting, Jerry Hess made a motion to approve the administrative budget at \$280,000. Ed Phillips seconded the motion, which passed unanimously. The approval of the administrative budget is based on the understanding that a lease agreement will be prepared for UACIM to identify the debt service set fee for base rent, any variable costs and the assurance that the agreement will have a long term no increase lease benefit.

Monte Munns made a motion to increase Brett Rich's salary to \$57,500 beginning the first pay period in November and adopt Brett's parameters as outlined in his August 27 and October 8, 1997 memorandums to the Board. Also, the 1998 Utah State Bar Association dues for Brett and Shawn Guzman will be paid from the UACIM Administrative Budget. Ann Skanchy seconded the motion, which passed unanimously.

#### **1998 GENERAL BUDGET**

Brett Rich reviewed the proposed 1998 General Budget with the Board. He explained that although premiums did not increase from 1997, the *Premiums Written* line item is higher because the additional coverages (i.e. boiler and machinery, DIC and additional liability) have been included. The *Investment Income* line item has been increased to more accurately reflect the interest being earned by UACIM. The amount for *Losses* budgeted is at the attachment point of \$1,475,000. *Claims Management* includes a three-percent increase and an estimated increase for rent. The price of *Excess Insurance* is higher because the additional coverages are included. The *Brokerage Commission* is the same as last year, *Pool Administration* has increased \$20,000 pursuant to the Board's action on the Administrative Budget, *Professional Fees* and *Other Expenses* more accurately reflect what was spent in 1997. The *Net Income* shows a \$45,000 increase from the 1997 General Budget. Chad Johnson made a motion to approve the general budget as presented. Ed Phillips seconded the motion, which passed unanimously.



## **ANNUAL MEMBERSHIP MEETING AGENDA**

Gary Herbert will be unavailable to chair the annual meeting and requested that Jerry Hess conduct the meeting in his absence. The Board reviewed and approved the proposed agenda for the membership meeting in St. George.

## **TENANT USER LIABILITY INSURANCE PROGRAM**

Brett Rich explained that the Mutual received a non-renewal notice from Fireman's Fund Insurance Company effective October 27. According to Fireman's Fund, they did not approve of the administration of the UACIM account. Several member counties are using this program so Brett has been working with John Chino to get another program in place. Ann Skanchy made a motion to obtain coverage for tenant user liability insurance using Arthur J. Gallagher & Company as the broker of record. Jerry Hess seconded the motion, which passed unanimously.

## **STRUCTURE OF ADVISORY COMMITTEE**

Brett Rich recommended that the Advisory Committee should have a chairman. The Board directed Brett to list as an agenda item for the upcoming Advisory Committee meeting the selection of a chairman. For the purposes of the Committee report during the membership meeting, the Board requested that Tex Olsen, Sevier County Commissioner, make that report.

## **MEMBERSHIP IN PRIMA POOLING SECTION**

Brett Rich explained that the mutual is a member of the Public Risk Management Association (PRIMA). Members include those involved in public entity risk management. PRIMA also has a Pooling Section which would be more advantageous to the Board and staff in that only certain documents, assistance and training is offered only to members of the Pooling Section. Monte Munns made a motion to join the PRIMA Pooling Section (\$750.00 per year). Chad Johnson seconded the motion, which passed unanimously.

## **APPOINTMENT OF AUDIT COMMITTEE MEMBER**

Brett Rich recommended that the Board appoint a new member on the Audit Committee to replace Sid Groll. Chad Johnson made a motion to appoint Ed Phillips as a member of the Audit Committee. Monte Munns seconded the motion, which passed unanimously.

## **SET DATE AND TIME FOR CLOSED MEETING**

Monte Munns made a motion to set the date and time for a closed meeting to begin at 11:10 a.m. on October 30, 1997, to discuss the character, professional competence or physical or mental health of an individual. Tony Dearden seconded the motion, which passed unanimously.

Tony Dearden made a motion to conclude the closed meeting at 11:55 a.m. on October 30, 1997. The motion was seconded and passed unanimously.

## **QUARTERLY BROKER REVIEW**

Brett Rich explained that pursuant to the Gallagher broker contract, each quarter the Board evaluates the performance of the broker. Brett has reviewed the performance standards as outlined in the contract. The only deficiency Brett sees at this time is the lack of familiarity with the Great American Policy form. The form is lengthy and hard to understand and John Chino and Rich Stokluska do not have any other accounts with this form. Brett discussed the strengths and the individual performances of John Chino and Rich Stokluska with the Board. Brett recommended that the third quarter performance bonus be paid due to Gallagher's performance as well as the work that has been done this past quarter for next years program. Monte Munns made a motion to approve the payment of the third quarter performance bonus. Ann Skanchy seconded the motion, which passed unanimously.

## **RISK MANAGEMENT PROGRAM PERCENTAGE**

Shawn Guzman reported that in his review of member county compliance to the Risk Management Program, he finds that there are approximately six or seven members that have met the prerequisites and may qualify for a credit on their 1998 premium. Shawn's goal for 1998 is to have 100% compliance to the prerequisites from the membership. Chad Johnson made a motion to approve a three-percent maximum credit on member's 1998 premium for performance pursuant to the 1997 Risk Management Program. Monte Munns seconded the motion, which passed unanimously.





### **MEMBER COUNTY AWARDS**

Shawn Guzman explained that traditionally, UACIM has presented awards to deserving member counties at the UAC Convention. The Board agreed to continue this tradition and directed Shawn to determine which counties will receive the awards.

### **OTHER BUSINESS**

Shawn Guzman reported to the Board that the severity of automobile claims is increasing. In 1996 the total number of automobile claims was 124 with \$233,470 paid. As of month ending September 1997 the total number of automobile claims is 93 with a total payout of \$326,252. The number of vehicles in single car accidents has significantly increased. Only one county is submitting the reports from their accident review board. Shawn will report to the Board which counties have an operating accident review board and his plan to curtail this increasing trend.

Brent Gardner explained that each year individuals from competing groups want to attend the UAC Conventions. Brent feels this is a conflicting problem to UACIM. Tony Dearden made a motion to recommend to the UAC Board of Directors that groups who are in direct competition with UACIM should not be invited to attend the UAC Conventions. Monte Munns seconded the motion, which passed unanimously.



# AFFIDAVIT OF GARY R. HERBERT

STATE OF UTAH )  
 )  
 )  
COUNTY OF SALT LAKE )

Gary R. Herbert, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.

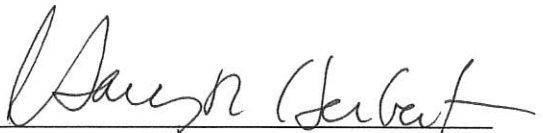
2. That the Affiant, on or about the 30<sup>th</sup> day of October, 1997, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.

3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.

4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

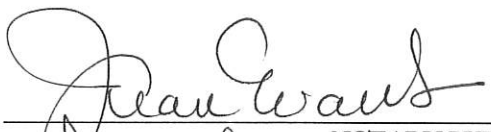
FURTHER, Affiant saith not.

DATED this 30<sup>th</sup> day of October, 1997.

  
GARY R. HERBERT, President  
Utah Association of Counties Insurance Mutual

On the 30<sup>th</sup> day of October, 1997, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.



  
NOTARY PUBLIC  
Residing at: Salt Lake City, UT  
My Commission Expires: 1/31/98



## ADDENDUM 1.

### DELETION OF CLAIMS AUDIT AND EXCESS REPORTING SERVICES

WHEREAS, Gallagher Risk Management Services, Inc. ("GRMS") and Utah Association of Counties Insurance Mutual ("UACIM") entered into an agreement (hereinafter referred to as the "Agreement") for the provision of broker services by GRMS on behalf of UACIM; and

WHEREAS, the Agreement obligated GRMS to employ the services of Gallagher-Bassett Services, Inc. for certain claims administration auditing and excess reporting which the parties reasonably believed would be required by excess insurance carriers; and

WHEREAS, the involved excess carriers have not required the services of Gallagher-Bassett, and no such services been provided;

NOW, THEREFORE, the parties hereby agree that GRMS shall not be obligated to provide the audit and excess reporting services described in Section III. A. 4. and other related sections of the Agreement, that UACIM shall not be obligated to pay for any such services, and that Section III. B. 1. of the Agreement shall be amended to read as follows:

*GRMS shall receive a brokerage fee for providing the services described herein to the current Members as follows:*

<i>Minimum Fee</i>	<i>\$85,000.00</i>
<i>Performance Measurement</i>	<i><u>\$20,000.00</u></i>
<i>Maximum Broker Fee</i>	<i>\$105,000.00</i>

IN WITNESS WHEREOF, the parties have executed this Addendum 1, effective retroactively to January 1, 1997.

UTAH ASSOCIATION OF COUNTIES  
INSURANCE MUTUAL

GALLAGHER RISK MANAGEMENT  
SERVICES, INC.

\_\_\_\_\_  
By:  
Title:  
Date:

\_\_\_\_\_  
By:  
Title:  
Date:

